

## 1.2 Target Market Segment Strategy

### On-Premise

We have accelerated our promotion of Moe's corporately mandated initiatives—Moe Mondays and Kids Eat Free Wednesdays and Sundays—with additional in-store signage and have introduced our own program for a special-price meal with college ID in our [REDACTED] location. We are also running periodic promotions to retain our strong lunch clientele and to entice them to consider us as an option for carryout dinner on their way home from work and for weekend meals.

We are in the planning stages of a strategic campaign reflecting the current economic difficulties for consumers: we will use in-store signage, take-aways and e-mail to "Do the Arith-MOE-tic" on the favorable value of dining at Moe's versus consumers' other choices, including fast-food, which is generally perceived (incorrectly today) as a better value if not comparable quality, and grocery shopping for complete home-cooked meals, which is becoming, for many in our local markets, cost-prohibitive.

And we are cultivating relationships with local merchants—movie theaters, retailers, other restaurants—to allow us to apply affordable, value-added co-op marketing tactics to the local market.

### Catering

We have admittedly made less headway to date than we would like in the metropolitan [REDACTED] area, so we have recently established a number of key strategies and programs to spur growth: we began a sales referral program in October to expand our catering client base with cash incentives for new-client referrals and a catering sales contest for clients, with monthly cash prizes and a grand prize at the end of the twelve-month contest with a genuine "Wow" factor: a trip for two to Bellagio in Las Vegas.

And we have begun to target our sales efforts toward tapping the pharma markets beyond the [REDACTED] metropolitan area—[REDACTED]—that are, in our estimation, underserved. Our three units, lying more than ten miles apart on three sides of the city, offer us a strong competitive advantage in delivering to these markets.

### 1.2.1 Market Trends

Even before the recent downturn in the economy, going back to the summer of 2008, with gas prices locally reaching \$4.19 per gallon, consumers began in earnest to explore ways of cutting household expenses to allow them to maintain a desirable standard of living. Of course, part of the typical American standard of living is dining out more than once a week. So the fast-casual segment of the restaurant industry has become simultaneously more appealing and more saturated as people who live in mixed/upscale markets such as [REDACTED] and [REDACTED] have shifted from dining at full-service restaurants, where menu prices are higher and tipping is *de rigueur*, have shifted to dining at more economical fast-casual establishments rather than cut dining out from their week altogether—and for that market segment, fast food is perhaps an occasional indulgence or timesaver, but it is not deemed a legitimate dining alternative. This trend is sure to continue at least until the economy strengthens, and, if Americans' gasoline-consumption habits are a parallel, will likely continue as habit long after the recession ends.

Moreover, consumers have seen restaurant "customer service" deteriorate to the point at which it is now considered adequate if their order is reasonably accurately filled; any extras, such as courtesy or timeliness, are so rare as to be completely unexpected outside the sphere of fine dining. There is no reason to believe that this trend will reverse, soon or ever, as, at this point, the managers who are training staff members in customer service realistically have no grasp of the concepts or mechanics of service themselves, and so are incapable of passing on what they themselves were never taught. So consumers have another reason to move away from dining at establishments where tipping staff members in spite of deficient service is often an infuriating end to the meal.

These trends have created a clear opportunity for a concept such as Moe's, which is well-positioned in the fast-casual segment with highly flavorful food and a commitment to training, monitoring and maintaining a warm, friendly, face-to-face style of service.